

**DOYLESTOWN TELEPHONE COMPANY
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

DECEMBER 31, 2013 AND 2012



GILMORE JASION MAHLER, LTD
INNOVATIVE IDEAS TRUSTED ADVICE

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Stockholders
Doylestown Telephone Company
Doylestown, Ohio

We have reviewed the accompanying consolidated balance sheet of Doylestown Telephone Company (a corporation) and Subsidiary (collectively, "the Company") as of December 31, 2013, and the related consolidated statements of income and comprehensive income, stockholders' equity and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. The accompanying 2012 consolidated financial statements of Doylestown Telephone Company and subsidiary before the adjustment described in Note 16, that was applied to restate the 2012 financial statements were reviewed by Pry Professional Group whose operations were merged into our operations effective November 1, 2013 and whose report dated June 28, 2013 stated that they were not aware of any material modifications that should be made to the those consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the consolidated financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

We also reviewed the adjustment as described in Note 16 that was applied to restate the 2012 financial statements. Based on our review, nothing came to our attention to indicate that the adjustment is not appropriate and properly applied.

TOLEDO OFFICE:
1715 INDIAN WOOD CIR, STE 100
MAUMEE OH 43537-4055

PHONE: 419.794.2000
FAX: 419.794.2090

GJMLTD.COM

FINDLAY OFFICE:
551 LAKE CASCADE PKWY
PO BOX 1105
FINDLAY OH 45840-1388

PHONE: 419.423.4481
FAX: 419.423.4865

McGLADREY ALLIANCE



McGladrey

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the basic consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The consolidating information included on pages 23 through 29 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic consolidated financial statements and we did not become aware of any material modifications that should be made to such information.

Siemens Gamesa Traders, LTD

Findlay, OH
May 15, 2014

DOYLESTOWN TELEPHONE COMPANY AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
December 31, 2013 and 2012

	2013	2012 as Restated
ASSETS		
Current assets		
Cash	\$ 332,665	\$ 417,752
Telecommunications accounts receivable (net of \$276,012 in 2013, and \$205,800 in 2012 for doubtful accounts)	155,672	266,010
Other accounts receivable (net of \$14,254 in 2013, and \$95,886 in 2012 for doubtful accounts)	309,531	323,783
Accounts receivable - officer	89,509	0
Materials and supplies	70,474	103,825
Prepaid expenses	49,750	87,913
Deferred income tax	86,023	121,047
Total current assets	1,093,624	1,320,330
Property, plant and equipment		
Land	144,062	144,062
Plant under construction	58,358	48,644
Plant and equipment	18,029,973	17,797,191
Total property, plant and equipment	18,232,393	17,989,897
Less: accumulated depreciation	(15,051,016)	(14,523,086)
Net property, plant and equipment	3,181,377	3,466,811
Other assets		
Cellular partnership investment, at cost	1,290,082	1,290,082
Com Net investment, at cost	18,500	18,500
Available-for-sale securities, at market	1,713,714	1,561,671
Bonds held to maturity	19,983	50,619
Horizon Telcom investment, at market	9,303	40,498
Deferred income tax	1,198,668	980,265
Deposits	3,790	3,790
Total other assets	4,254,040	3,945,425
Total assets	\$ 8,529,041	\$ 8,732,566

See independent accountants' review report.

The accompanying notes are an integral part of these financial statements.

DOYLESTOWN TELEPHONE COMPANY AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
December 31, 2013 and 2012

	2013	2012 as Restated
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 211,805	\$ 201,377
Accrued state and local tax	3,911	2,933
Accounts payable - withheld and collected taxes	139,846	132,338
Customer deposits	550	850
NECA accrual	27,643	34,486
Accrued property tax	8,959	8,957
Accrued other taxes	14,254	12,172
Total current liabilities	406,968	393,113
Other liabilities		
Long-term NECA accrual	24,556	19,848
Total other liabilities	24,556	19,848
Total liabilities	431,524	412,961
Stockholders' equity		
Common stock (500 shares authorized, 353 shares issued and 352 shares outstanding, \$10 par)	3,530	3,530
Retained earnings	8,245,331	8,327,262
Treasury stock	(14,003)	(14,003)
Accumulated other comprehensive income (loss)	(137,341)	2,816
Total stockholders' equity	8,097,517	8,319,605
Total liabilities and stockholders' equity	<u>\$ 8,529,041</u>	<u>\$ 8,732,566</u>

See independent accountants' review report.
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DOYLESTOWN TELEPHONE COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
For the Years Ended December 31, 2013 and 2012

	2013	2012 as Restated
Operating revenues		
Local telephone service revenues	\$ 1,751,453	\$ 1,776,343
Telephone access revenues	1,164,217	1,470,266
Billing and collection revenues	(14,685)	(8,355)
Basic, premium, pay-per-view TV channels	869,543	839,427
Internet revenues	614,583	687,448
Cable modem revenues	500,805	490,562
Security service revenues	87,458	107,015
Advertising and consulting revenues	69,686	113,797
Miscellaneous revenues	347,842	413,745
Uncollectible revenues	(52,102)	(155,140)
Total operating revenues	5,338,800	5,735,108
Operating expenses		
Plant specific operations expenses	2,762,784	2,771,031
Plant nonspecific operations expenses	178,711	219,974
Depreciation expense	533,607	561,880
Amortization expense	341	341
Customer operations expenses	1,141,926	1,216,564
Corporate operations expenses	1,232,356	1,442,485
Total operating expenses	5,849,725	6,212,275
Loss before operating taxes	(510,925)	(477,167)
Operating taxes (benefit)		
Federal income tax (benefit)	(108,271)	0
Provision for deferred income taxes	(85,040)	(210,250)
State and local tax expense	9,227	14,434
Other operating taxes	17,298	18,254
Total operating benefit	(166,786)	(177,562)
Net operating loss	\$ (344,139)	\$ (299,605)

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DOYLESTOWN TELEPHONE COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
For the Years Ended December 31, 2013 and 2012

	2013	2012 as Restated
Nonoperating income (expense)		
Realized gain from sale of investments	\$ 286,526	\$ 21,267
Gain on disposition of plant	0	6
Dividend and interest income	43,080	36,209
Special charges	(2,125)	(1,950)
Interest expense	(8)	(20)
Other nonoperating income - net rental income	10,303	3,597
Nonoperating federal income tax (expense)	(108,271)	0
Nonoperating deferred income tax benefit (expense)	42,207	(57,444)
Total nonoperating income	<u>271,712</u>	<u>1,665</u>
Net loss	<u>(72,427)</u>	<u>(297,940)</u>
Other comprehensive income (loss), net of tax		
Unrealized gain (loss) on available-for-sale securities	<u>(140,157)</u>	<u>2,329</u>
Net gain (loss) recognized in other comprehensive income	<u>(140,157)</u>	<u>2,329</u>
Comprehensive loss	<u><u>\$ (212,584)</u></u>	<u><u>\$ (295,611)</u></u>

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DOYLESTOWN TELEPHONE COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2013 and 2012

	2013	2012 as Restated
Cash flows from operating activities		
Net loss	\$ (72,427)	\$ (297,940)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation expense	533,607	561,880
Amortization expense	341	341
Provision for deferred income tax	(127,247)	(152,806)
Loss on disposition of plant	0	(6)
Reinvested dividends and interest	0	(33,090)
Realized gain from sale of investments	(286,526)	(21,267)
(Increase) decrease in current assets:		
Telecommunications accounts receivable	110,339	143,986
Other accounts receivable	14,252	123,083
Accounts receivable - officer	(89,509)	0
Materials and supplies	33,351	11,370
Prepaid expenses	38,163	(23,209)
Increase (decrease) in current liabilities:		
Accounts payable	10,428	73,297
Accrued state and local tax	978	(545)
Accounts payable - withheld and collected taxes	7,508	12,228
Customer deposits	(300)	(50)
NECA accrual	(2,135)	(1,382)
Accrued property tax	2	42
Accrued other taxes	2,082	(1,198)
Net cash provided by operating activities	\$ 172,907	\$ 394,734

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DOYLESTOWN TELEPHONE COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2013 and 2012

	2013	2012 as Restated
Cash flows from investing activities		
Purchase of property, plant and equipment	\$ (248,515)	\$ (446,426)
Salvage value of plant	0	67
Purchase of securities	(1,018,049)	(355,351)
Sale of securities	1,018,074	421,635
Net cash used in investing activities	(248,490)	(380,075)
Cash flows from financing activities		
Payment of dividends	(9,504)	(9,046)
Net cash used in financing activities	(9,504)	(9,046)
Net increase (decrease) in cash	(85,087)	5,613
Cash at beginning of year	417,752	412,139
Cash at end of year	<u>\$ 332,665</u>	<u>\$ 417,752</u>

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